

CIBCR

RECESSION - RECOVERY WATCH...**A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions**

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Summary

The current situation bears most of the earmarks of a growth recession, starting from last summer. If it follows previous patterns it means persistent slow growth for a year or so, followed by growth at a faster rate. A developing growth recession would also help to curb inflation, which so far has been held down chiefly by lower prices of imported goods and by unusually modest increases in wage costs.

Expansion, Growth Recession, or Real Recession?

A typical mid-career event in the life of a business cycle expansion is a slowdown, followed by continued growth at a fairly rapid pace but not as rapid as in the early recovery stage. This characteristic was noted by Wesley C. Mitchell in his classic What Happens during Business Cycles (1951) and is apparent in many of the charts in Recession-Recovery Watch (for example, Charts 8, 10, 16). Sometimes, however, business cycle expansions have been interrupted by growth recessions, which are more serious and more protracted slowdowns. By the definition developed at the National Bureau of Economic Research and used in CIBCR's studies of growth cycles in many countries, a growth recession is a period usually lasting a year or so in which various measures of aggregate economic activity grow at rates less than their long-run trend growth rate. In terms of U.S. real GNP, this would be less than 3% per year. The business cycle expansion continues, during and after the growth recession, but in the meantime unemployment may increase somewhat and many industries may retrench for a time. Since 1948 we have had three such episodes, in 1951-52, 1962-64, and 1966-67, according to the growth cycle chronology initially established at the NBER and continued at CIBCR.

A third possibility is that a slowdown marks the beginning of the end of the expansion, to be followed shortly by a real recession. In that event aggregate activity would decline and so would output, employment and sales in a substantial majority of industries. This is what happened in 1973, for example, when a slowdown occurred during most of the year and a recession began in November.

Which of these three alternative scenarios is most likely now? A review of the Recession-Recovery charts suggests either the first or the second outcome, not the imminent recession. Very few of the variables covered by the charts indicate that the current expansion is in more trouble than the average, and the average expansion persisted for at least another year. One of the charts that might suggest something worse than average experience ahead is the growth rate in the Commerce Department's leading index (Chart 9). But the index itself (Chart 4) has merely retreated to its average level in prior expansions from a position persistently higher than that. Moreover, the growth rates in our other two leading indexes (Charts 6 and 7) are equal to if not a bit above their averages, and as of this writing (early December) they are a month more up-to-date than the BCD index.

In addition, another kind of leading index, which often gives earlier warning of recession than the other leading indexes, has been following its past average pattern quite faithfully. This is the ratio of the coincident to lagging index (Chart 12), which reflects some of the economic imbalances that precipitate recession, such as a rapid rise of inventories relative to sales, or a rapid rise of labor costs relative to prices. The C/Lg ratio has been moving down since January, but not more dramatically than it has done at this stage in the past average expansion.

None of this completely rules out the possibility of a recession beginning sometime in 1985, but as of now our other two scenarios seem to be better supported by the evidence. One of the ways to distinguish between the two--a minor interruption of an on-going expansion vs. a sustained slowdown or growth recession--is by the CIBCR signal system. As noted in the October Recession-Recovery Watch the first peak signal (P1) was reached in July 1984, when the growth rate in the BCD leading index fell below the 2.3% signal level. The P1 signal has remained "on" since then but the P2 signal has not been reached. This would happen if and when the leading index growth rate goes below -1.0% (which it did in October) and the coincident index growth rate goes below 2.3% (it was 6.2% in October, down from 6.6% in September.). The fact that the P1 signal has occurred supports the growth recession outcome as opposed to the minor interruption, because the P1 signal has occurred only when either a growth recession or a real recession was in prospect. That is, minor interruptions of the trend have not triggered P1 signals. And the fact that the P2 signal has not occurred, at least as yet, supports the growth recession outcome as opposed to the real recession. If and when the P2 signal does occur, the prospect for a real recession will be much stronger. Among the eight times that a P2 signal occurred between 1949 and 1981, a growth recession ensued once, a real recession seven times.

If, then, a growth recession is what we're in, when did it start? The P1 signal date gives a pretty good clue, because in the three growth recessions that we have experienced since 1949 (in 1951-52, 1962-64, 1966-67) the P1 signal date coincided precisely with the independently determined growth cycle peak. In this instance, however, the growth cycle peak may have been June 1984 rather than July, the P1 date. June is the peak date in the BCD coincident index after adjustment to eliminate its long-run upward trend (3.3% per year). That is, since June the index has risen at an annual rate less than 3.3%.

P1 Signal Patterns

The CIBCR has begun to use the P1 signal dates to construct patterns that distinguish growth recessions from real recessions. Chart A gives examples, comparing (1) the current situation starting from the July 1984 signal with (2) the average pattern for the three growth recessions and (3) the average pattern for the seven real recessions. Such patterns should enable us to tell, as soon as possible, whether what now appears to be a growth recession is deteriorating into a real recession or is being transformed into a rapid expansion. If and when a P2 signal develops we can reconstruct the patterns using P2 dates and evaluate the current situation accordingly. The chief advantages of the method are that the signals are objectively defined, they can be observed promptly, and they have had a record of dependability for three decades. Robert Deitch, a member of the Center's staff, has prepared a computer program to identify the signals, which has enabled us to experiment with modified definitions of the signals and to apply them to other leading and coincident indexes.

Chart A tells us that leading index growth rates do not clearly distinguish growth recessions from real recessions until about six months after the P1 signal date. This is not too surprising in view of the fact that the P1 date is fixed by the leading index growth rate. The coincident index chart, however, makes a clear distinction between the historical averages, with growth rates at a higher level during growth recessions. The current situation resembles the growth recession pattern.

We expect to expand this type of analysis and report the results in future issues of Recession-Recovery Watch.

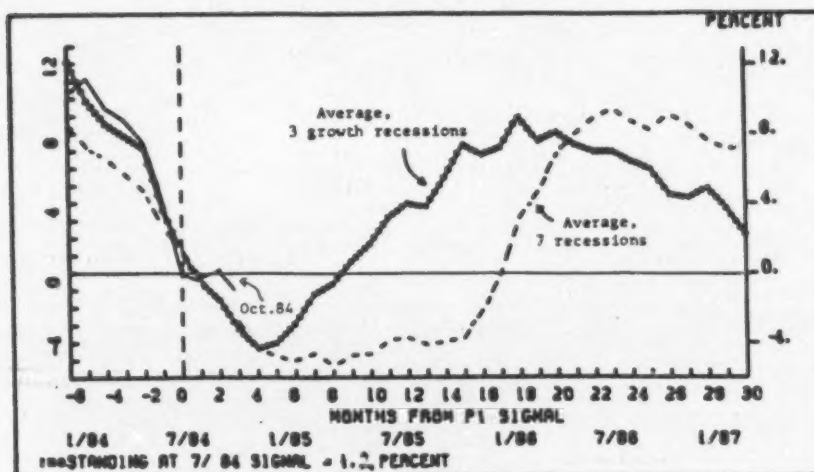
Inflation

Inflation rates have remained at around the 4% level much longer than we had expected in view of the sharp upswing in the leading inflation index (Charts 51, 52). The lead time in past upswings has varied considerably, and the present period may be one which the lead is longer than usual, drawn out by special factors. One such factor is the rising value of the dollar in foreign exchange markets, which has reduced the prices of imported materials (one of the components of the leading inflation index) as well as imported finished goods. Another factor is the unusually modest growth rate in unit labor costs, a consequence of about average growth in productivity and below-average increases in wages (cf. Charts 41, 42, 43). In only one of the six previous recoveries have increases in hourly compensation been as low as 4% in the 21st month of recovery, which is what the increase was as of the third quarter of 1984. This put the change in real compensation at zero, which is below the corresponding rate of change in every one of the previous six recoveries. Import competition may be partly responsible for this unusual development as well, but whatever the reason it has surely helped to hold the line on inflation. It is also a tribute to the power of a lagging indicator, since movements in wages have usually lagged behind those in prices. If the growth recession discussed above persists, that too will contribute to stability in the inflation rate. The leveling off of the leading inflation index since June is probably reflecting this.

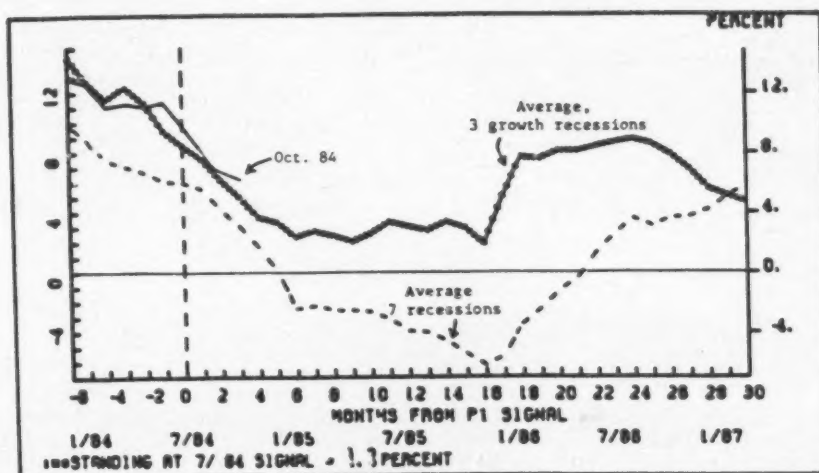
CHART A

PATTERNS OF ECONOMIC CHANGE BEFORE AND DURING GROWTH RECESSIONS AND REAL RECESSIONS (BASED UPON P1 SIGNAL DATES)

LEADING INDEX, GROWTH RATE (BCD)



COINCIDENT INDEX, GROWTH RATE (BCD)



Note: The P1 signal dates are reached when the growth rate in the Commerce Department's leading index first declines below 2.3% (annual rate). The latest P1 signal occurred in July 1984, or the third quarter.

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A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, all previous expansions since 1948 (or whenever after 1948 the indicator begins), and the average of the six expansions 1948-80. The 1980-81 expansion, which lasted only twelve months, is excluded from the average.

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, February 1984, which is 15 months after the November 1982 business cycle trough, all the entries for that indicator will be for 15 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle trough standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three-month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding point in each of the previous expansions.

A more comprehensive set of tables has also been constructed by the Center. It includes sixty indicators and covers each month of every expansion since 1948, starting 11 months before the trough and ending three years after the trough. The average recovery is also shown for each month of the four-year span. Hence, one can use the figures to construct charts, to up-date comparisons month by month, to analyze changes during the second or third years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

To order the 90-page supplement, send in the order form on the back cover.

RECESSION/RECOVERY STATUS UP TO 24 MONTHS AFTER THE BUSINESS CYCLE TROUGH

ACTUAL LEVELS

	MONTHS AFTER BUSINESS CYCLE TROUGH		EXPANSIONS STARTING					EXPANSIONS STARTING					AUG. 1949 -75	CURRENT EXPANSION STARTING NOV 1982	LAST MONTH OR QUARTER AVAIL	
			1949 1954 1958					FEB MAR JULY								
			OCT 1949	MAY 1954	APR 1958	1961	NOV 1970	MAR 1975	JULY 1980							
I. COMPOSITE INDEXES																
6.	24	BUSINESS WEEK LEADING INDEX, GROWTH RATE	-8.6	-2.8	-4.7	8.4	9.9	6.5			1.5	3.9	11/84			
7.	24	LEADING EMPLOYMENT INDEX, GROWTH RATE	-1.0	0.6	0.0	2.6	8.6	6.2			2.8	4.1	11/84			
8.	24	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	1.2	4.0	5.0	0.0	9.4	7.5			4.5	7.4	11/84			
9.	23	LEADING INDEX, GROWTH RATE	-7.3	0.8	-6.0	4.9	12.2	7.0			1.9	-1.7	10/84			
10.	23	COINCIDENT INDEX, GROWTH RATE	0.6	5.3	3.5	2.0	10.5	5.7			4.6	6.2	10/84			
12.	23	RATIO, COINCIDENT TO LAGGING INDEX	121.1	110.1	92.2	95.6	115.9	123.9			109.8	128.7	10/84			
16.	21	SEVEN-COUNTRY LEADING INDEX, GROWTH RATE			9.4	0.9	10.2	4.4			6.2	4.8	8/84			
II. OUTPUT, INCOME AND SALES																
16.	21	REAL GNP GROWTH RATE	8.1	2.3	4.2	3.0	6.2	3.6			4.6	5.3	11/84			
III. EMPLOYMENT AND UNEMPLOYMENT																
22.	24	EMPLOYMENT TO POPULATION RATIO	58.2	58.4	57.1	55.8	57.7	57.9			57.5	60.2	11/84			
26.	24	EMPLOYMENT DIFFUSION INDEX, 186 IND.	38.3	63.3	70.2	45.5	76.9	73.9			61.3	64.1	11/84			
27.	24	UNEMPLOYMENT RATE: TOTAL	3.4	4.2	5.1	5.8	5.1	7.3			5.1	7.0	11/84			
28.	24	UNEMPLOYMENT RATE: INSURED	3.4	3.3	4.3	4.6	3.1	4.0			3.8	2.8	11/84			
30.	24	SHORT-DURATION UNEMPLOYMENT RATE	3.0	3.5	3.8	4.3	4.0	5.2			4.0	4.9	11/84			
31.	24	LAYOFF RATE	0.8	0.5	0.8	0.6	0.6	1.0			0.7	1.0	11/84			
32.	24	PART-TIME EMPLOYMENT RATIO			2.0	2.6	4.5	3.4			3.1	2.4	11/84			
IV. INVESTMENT COMMITMENTS AND INVENTORIES																
39.	22	INVENTORY/SALES RATIO, TIMES 10	16.2	14.9	15.1	15.2	15.6	16.2			15.5	15.7	9/84			
40.	21	CH IN INVENT ON HAND & ON ORDER, BIL 72*	26.7	10.3	5.8	6.4	12.1	7.8			11.5	13.7	8/84			
V. PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS																
41.	21	OUTPUT PER HOUR, GROWTH RATE	3.1	-0.5	2.4	3.6	4.2	1.0			2.3	2.0	11/84			
42.	21	UNIT LABOR COSTS, GROWTH RATE	5.2	5.7	3.2	0.0	2.0	6.9			3.8	2.2	11/84			
43.	21	HOURLY COMPENSATION, GROWTH RATE	8.6	5.1	5.7	3.8	6.5	8.2			6.3	4.2	11/84			
44.	21	REAL HOURLY COMPENSATION, GROWTH RATE	3.2	4.8	4.1	2.3	3.2	2.6			3.4	0.2	11/84			
45.	21	SELLING PRICE INDEX, GROWTH RATE	4.3	3.1	1.9	1.8	2.1	5.5			3.1	3.3	11/84			
46.	21	PRICE/LABOR COST RATIO	103.1	100.4	100.0	101.0	99.4	98.9			100.5	99.6	11/84			
47.	21	CORPORATE PROFIT MARGIN	11.1	10.0	9.8	11.3	8.1	6.8			9.5	9.7	11/84			
50.	24	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	-23.7	-2.6	-0.4	-0.4	23.3	6.7			0.5	-14.4	11/84			
52.	23	CONSUMER PRICE INDEX, GROWTH RATE	4.3	0.8	1.3	1.2	3.4	6.9			3.0	4.1	10/84			
VI. MONEY, CREDIT, INTEREST RATES AND STOCK PRICES																
53.	23	TOTAL DEBT, GROWTH RATE	3.8	6.1	6.6	8.2	12.2	13.0			8.3	16.6	10/84			
54.	23	BUSINESS & CONSUMER DEBT, GROWTH RATE	12.8	16.7	12.8	12.8	15.3	13.2			13.9	17.1	10/84			
55.	23	FEDERAL DEBT, GROWTH RATE	-0.2	-1.7	0.1	2.2	4.4	12.6			2.9	15.5	10/84			
56.	22	MONEY SUPPLY (M1), GROWTH RATE	4.4	1.3	-0.8	2.0	8.3	7.7			3.8	5.4	9/84			
57.	22	MONEY SUPPLY (M2), GROWTH RATE	4.0	1.5	2.7	8.0	13.0	14.2			7.2	6.8	9/84			
58.	24	TREASURY BILL RATE (13-MONTH)	1.5	2.6	3.2	2.9	4.8	4.6			3.3	8.6	11/84			
59.	24	NEW CORPORATE BOND YIELD (AA)	3.1	3.5	5.0	4.3	7.5	8.3			5.3	12.4	11/84			

*FIGURES NOT SHOWN TO AVOID OVERLAP WITH THE CONTRACTION BEGINNING IN JULY 1981.

RECESSION/RECOVERY STATUS UP TO 24 MONTHS AFTER THE BUSINESS CYCLE TROUGH
 PERCENTAGE ABOVE (+) OR BELOW (-) THE PRECEDING BUSINESS CYCLE TROUGH

	MONTHS AFTER BUSINESS CYCLE TROUGH	EXPANSIONS STARTING				EXPANSIONS STARTING			AVG. 1949 -75	CURRENT EXPANSION STARTING NOV 1982	LAST MONTH OR QUARTER AVAIL
		OCT 1949	MAY 1954	APR 1958	FEB 1961	MAR 1975					
I. COMPOSITE INDEXES											
1. BUSINESS WEEK LEADING INDEX (CIBCR)	24	15.8	10.5	7.2	16.6	26.5	21.9	16.4	14.9	11/84	
2. LEADING EMPLOYMENT INDEX (CIBCR)	24	17.5	13.8	15.3	13.9	15.3	18.0	15.6	21.3	11/84	
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)	24	28.6	17.3	18.4	10.5	12.7	16.0	17.3	22.4	11/84	
4. LEADING INDEX (BCD)	23	7.6	17.6	13.2	13.9	22.6	25.5	16.7	17.3	10/84	
5. COINCIDENT INDEX (BCD)	23	22.7	16.7	15.6	11.1	14.2	13.7	15.7	18.0	10/84	
11. LAGGING INDEX (BCD)	23	20.6	14.0	14.6	2.0	-6.5	-11.3	5.6	2.8	10/84	
13. SEVEN-COUNTRY LEADING INDEX (CIBCR)	21			18.6	1.8	10.1	13.1	10.9	12.2	8/84	
II. OUTPUT, INCOME AND SALES											
15. REAL GNP	21	19.8	9.7	10.6	9.5	10.0	9.0	11.4	11.3	11/84	
17. INDUSTRIAL PRODUCTION INDEX	21	25.6	19.1	22.8	17.0	16.6	19.7	20.1	22.1	10/84	
18. REAL PERSONAL INCOME	23	14.5	13.2	8.1	9.0	10.8	8.9	10.8	10.0	10/84	
19. REAL CONSUMER EXPENDITURES	22	6.0	10.4	8.4	8.7	10.3	10.7	9.1	10.0	9/84	
20. REAL RETAIL SALES	23	3.2	11.9	10.2	10.7	18.2	13.6	11.3	13.0	10/84	
III. EMPLOYMENT AND UNEMPLOYMENT											
21. TOTAL EMPLOYMENT	24	6.0	6.1	5.0	2.0	5.1	6.4	5.1	6.8	11/84	
23. NONFARM EMPLOYMENT	24	10.7	7.2	7.2	4.8	6.3	6.2	7.1	7.6	11/84	
24. NONFARM EMPLOYEE-HOURS	24	11.9	7.3	7.9	5.2	6.3	6.3	7.5	9.2	11/84	
25. EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES	24	15.7	7.0	7.3	4.1	5.6	6.5	7.7	9.4	11/84	
29. INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	24	-33.1	-24.7	-30.8	-24.8	-23.9	-34.7	-28.7	-35.4	11/84	
33. AVERAGE WORKWEEK, MANUFACTURING	24	2.4	1.8	2.6	2.5	3.3	3.2	2.6	3.8	11/84	
34. OVERTIME HOURS, MANUFACTURING	24			38.5	33.3	38.7	37.5	37.0	47.8	11/84	
IV. INVESTMENT COMMITMENTS AND INVENTORIES											
35. NEW PRIVATE HOUSING STARTS	23	-13.5	-2.7	-3.6	0.3	45.6	100.9	21.1	19.4	10/84	
36. NEW PRIVATE HOUSING PERMITS	23	-11.4	-1.2	-2.1	23.0	43.7	103.3	25.9	14.0	10/84	
37. CONTRACTS & ORDERS, PLANT & EQUIPMENT	23	33.1	55.2	18.1	11.1	26.0	19.6	27.2	22.4	10/84	
38. NEW CAPITAL APPROPRIATIONS, MFG.	21		105.0	43.1	28.9	14.9	13.1	41.0	27.8	11/84	
V. PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS											
48. BUSINESS FAILURES, LIABILITIES \$100,000+	24	-10.0	20.0	2.2	6.6	-16.1	-23.0	-3.4	-16.4	11/84	
49. INDUSTRIAL MATERIALS PRICE INDEX	24	45.3	11.1	14.0	-2.9	19.5	25.2	18.7	17.7	11/84	
51. LEADING INDEX OF INFLATION (CIBCR)	24	9.0	8.2	9.2	3.9	13.8	14.8	9.8	21.4	11/84	
VI. MONEY, CREDIT, INTEREST RATES AND STOCK PRICES											
58. TREASURY BILL RATE (3-MONTH)	24	44.4	231.8	190.1	24.3	-10.7	-16.9	77.2	8.9	11/84	
59. NEW CORPORATE BOND YIELD (AA)	24	24.6	20.1	33.0	-5.1	-14.7	-11.2	7.8	1.4	11/84	
60. STOCK PRICE INDEX (S&P 500)	24	47.6	63.6	30.5	6.3	33.4	21.4	33.8	21.6	11/84	

*FIGURES NOT SHOWN TO AVOID OVERLAP WITH THE CONTRACTION BEGINNING IN JULY 1981.

RECESSION/RECOVERY STATUS UP TO 24 MONTHS AFTER THE BUSINESS CYCLE TROUGH
DIFFERENCE FROM THE PRECEDING BUSINESS CYCLE TROUGH

I.	COMPOSITE INDEXES	MONTHS AFTER BUSINESS CYCLE TROUGH	EXPANSIONS		EXPANSIONS		FEB 1961	EXPANSIONS		JULY 1980*	AVD. 1949 -75	CURRENT EXPANSION STARTING NOV 1982	LAST MONTH OR QUARTER AVAIL
			OCT 1949	MAY 1954	APR 1958	NOV 1970		MAR 1975					
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	24	-13.1	-11.6	-10.6	1.7	4.8	11.8			-2.8	-1.8	11/84
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	24	1.1	5.7	7.6	5.1	14.4	19.3			8.9	4.9	11/84
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	24	15.1	17.9	23.5	8.1	16.6	24.3			17.6	13.4	11/84
9.	LEADING INDEX, GROWTH RATE	23	-17.2	-1.3	-2.9	3.6	13.0	20.5			2.6	-6.4	10/84
10.	COINCIDENT INDEX, GROWTH RATE	23	7.8	14.7	18.1	8.7	16.1	20.8			14.4	13.0	10/84
12.	RATIO, COINCIDENT TO LAGGING INDEX	23	2.0	2.5	0.7	7.8	21.0	27.2			10.2	16.5	10/84
15.	SEVEN-COUNTRY LEADING INDEX, GROWTH RATE	21			10.8	-4.0	12.2	14.7			8.4	4.0	8/84
II.	OUTPUT, INCOME AND SALES												
16.	REAL GNP GROWTH RATE	21	9.1	5.5	6.4	2.9	6.4	8.9			6.5	6.0	III/84
III.	EMPLOYMENT AND UNEMPLOYMENT												
22.	EMPLOYMENT TO POPULATION RATIO	24	2.7	2.1	1.1	-0.5	0.2	1.4			1.2	2.5	11/84
26.	EMPLOYMENT DIFFUSION INDEX, 186 IND.	24	9.4	48.3	56.3	25.2	51.2	59.8			41.7	42.9	11/84
27.	UNEMPLOYMENT RATE: TOTAL	24	-3.4	-1.4	-1.9	-0.8	-0.6	-1.0			-1.5	-3.5	11/84
28.	UNEMPLOYMENT RATE: INSURED	24	-4.0	-2.1	-2.6	-1.7	-1.0	-2.3			-2.3	-1.6	11/84
30.	SHORT-DURATION UNEMPLOYMENT RATE	24	-2.2	-0.8	-1.1	-0.4	-0.6	-0.8			-1.0	-2.2	11/84
31.	LAYOFF RATE	24	-0.6	-1.1	0.4	0.9	0.6	0.5	-1.0		-0.7	-1.4	11/84
32.	PART-TIME EMPLOYMENT RATIO	24			0.7	0.9	0.6	0.6	0.6		0.7	0.4	11/84
IV.	INVESTMENT COMMITMENTS AND INVENTORIES												
39.	INVENTORY/SALES RATIO, TIMES 10	22	0.9	-1.3	-1.3	-0.6	-1.6	-1.6			-0.9	-1.9	9/84
40.	CH IN INVENT ON HAND & ON ORDER, BIL 72*	21	25.5	26.1	23.0	17.4	13.0	37.0			23.7	33.1	8/84
V.	PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS												
41.	OUTPUT PER HOUR, GROWTH RATE	21	2.8	-1.0	-0.4	2.7	3.3	1.9			1.5	0.7	III/84
42.	UNIT LABOR COSTS, GROWTH RATE	21	4.8	3.5	2.2	-1.8	-3.3	-5.1			0.0	-2.8	III/84
43.	HOURLY COMPENSATION, GROWTH RATE	21	7.8	2.7	2.2	0.6	0.1	-2.8			1.8	-2.2	III/84
44.	REAL HOURLY COMPENSATION, GROWTH RATE	21	0.4	2.4	3.9	0.8	2.1	2.4			2.0	-2.0	III/84
45.	SELLING PRICE INDEX, GROWTH RATE	21	4.7	1.3	1.6	1.5	3.1	-7.8			-0.3	0.2	III/84
46.	PRICE/LABOR COST RATIO	21	2.1	1.3	1.4	3.3	1.3	1.7			1.9	4.0	III/84
47.	CORPORATE PROFIT MARGIN	21	-1.5	0.8	1.8	2.7	2.0	2.0			1.3	4.7	III/84
50.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	24	-7.6	-8.3	13.4	2.1	33.9	34.5			11.3	3.5	11/84
52.	CONSUMER PRICE INDEX, GROWTH RATE	23	6.1	0.4	-2.4	-0.2	-1.9	-2.8			-0.1	-0.3	10/84
VI.	MONEY, CREDIT, INTEREST RATES AND STOCK PRICES												
53.	TOTAL DEBT, GROWTH RATE	23	1.9	3.4	4.3	4.3	7.4	5.8			4.5	11.5	10/84
54.	BUSINESS & CONSUMER DEBT, GROWTH RATE	23	9.3	10.4	9.3	5.1	10.5	7.3			8.6	16.8	10/84
55.	FEDERAL DEBT, GROWTH RATE	23	-1.5	-2.1	-1.0	2.7	-0.4	1.3			-0.2	-0.4	10/84
56.	MONEY SUPPLY (M1), GROWTH RATE	22	5.1	0.5	-1.4	0.4	2.6	4.0			1.8	4.5	9/84
57.	MONEY SUPPLY (M2), GROWTH RATE	22	4.3	-1.7	-2.5	1.5	4.9	6.7			2.5	-3.0	9/84

*FIGURES NOT SHOWN TO AVOID OVERLAP WITH THE CONTRACTION BEGINNING IN JULY 1981.

RECESSION - RECOVERY PATTERNS

—————	Current recovery to date (business cycle trough: November 1982 or IV Q 1982)
//////////	Average of six recoveries (1949-54, 1954-57, 1958-60, 1961-69, 1970-73, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the six cycles, 1949-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the series is a growth rate, ratio, percentage, or difference (e.g., GNP growth rate, inventory-to-sales ratio, unemployment rate or change in inventories), the chart shows the actual level of the figures rather than an index based on the trough levels.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages include only six cycles rather than seven, because the 1980-81 recovery lasted only 12 months from trough (July 1980) to peak (July 1981). Averages extending beyond 12 months would begin to include the 1981-82 recession.

All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.

COMPOSITE INDEXES

CHART 1
BUSINESS WEEK LEADING INDEX (CIBCR)

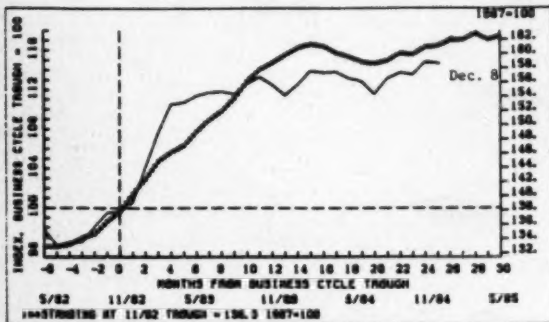


CHART 2
LEADING EMPLOYMENT INDEX (CIBCR)

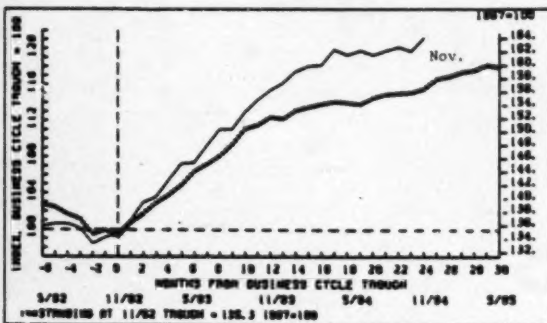


CHART 3
COINCIDENT EMPLOYMENT INDEX (CIBCR)

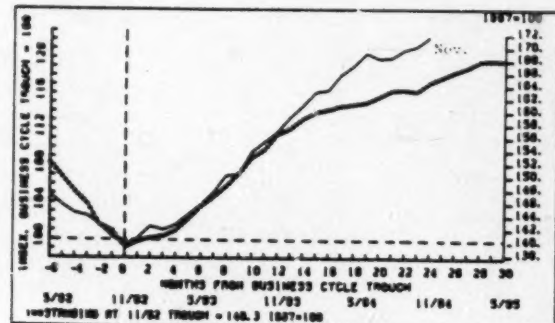


CHART 4
LEADING INDEX (BCD)

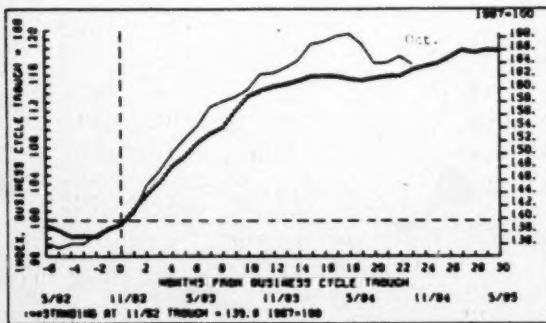
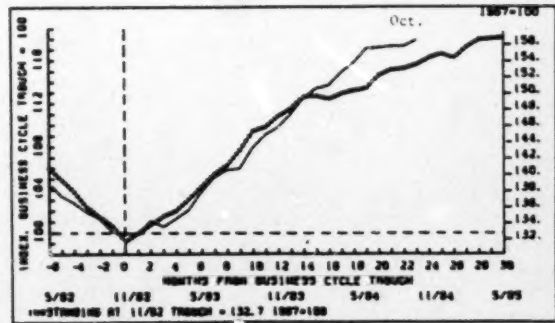


CHART 5
COINCIDENT INDEX (BCD)



COMPOSITE INDEX GROWTH RATES

CHART 6
BUSINESS WEEK LEADING INDEX,
GROWTH RATE (CIBCR)

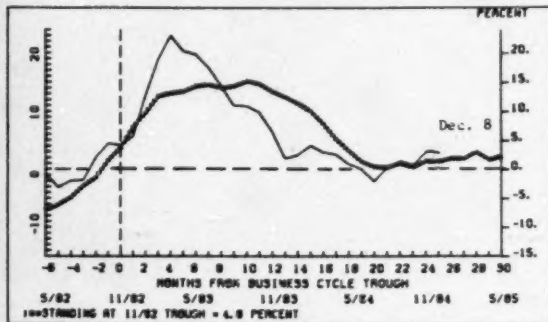


CHART 7
LEADING EMPLOYMENT INDEX,
GROWTH RATE (CIBCR)

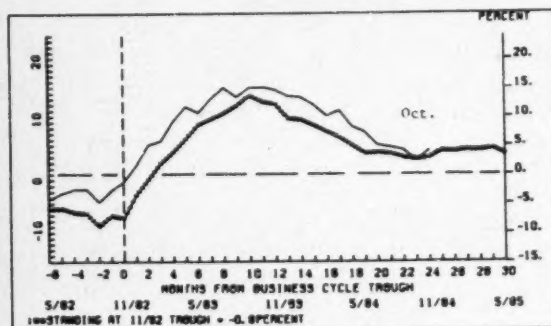


CHART 8
COINCIDENT EMPLOYMENT INDEX,
GROWTH RATE (CIBCR)

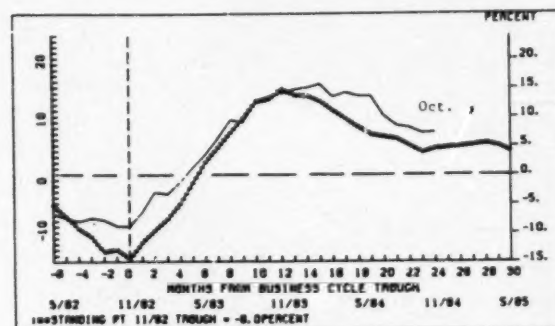


CHART 9
LEADING INDEX, GROWTH RATE (BCD)

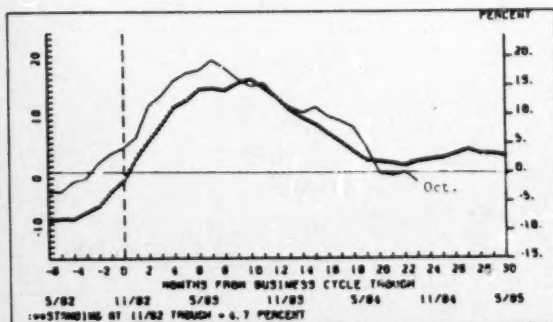
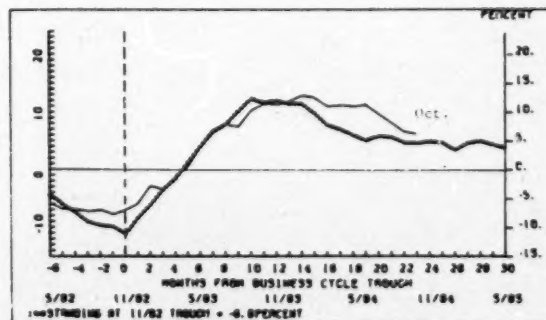


CHART 10
COINCIDENT INDEX, GROWTH RATE (BCD)



OTHER COMPOSITE INDEXES

CHART 11
LAGGING INDEX (BCD)

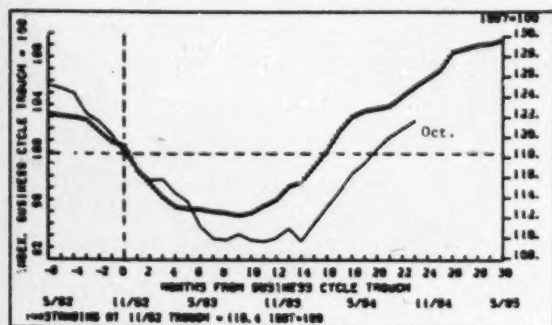


CHART 12
RATIO, COINCIDENT TO LAGGING INDEX (BCD)

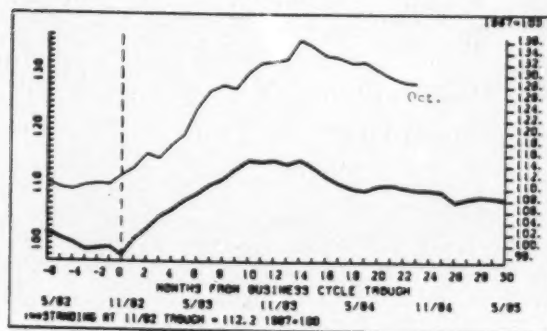


CHART 13
SEVEN-COUNTRY LEADING INDEX (CIBCR)*

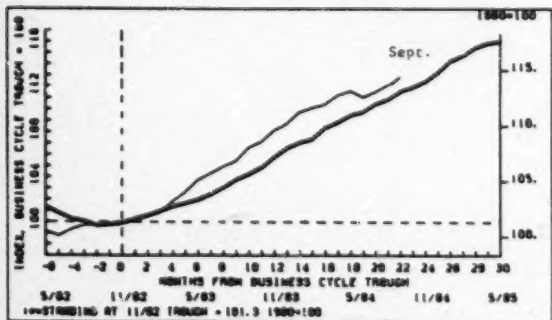
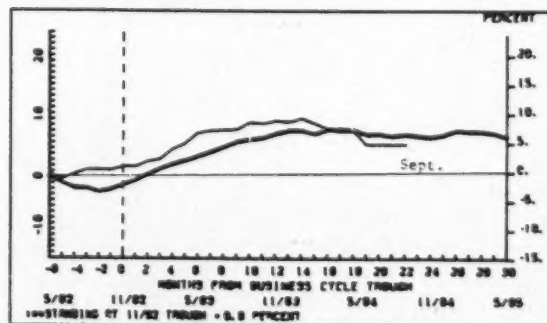


CHART 14
SEVEN-COUNTRY LEADING INDEX,
GROWTH RATE (CIBCR)*



*Canada, United Kingdom, West Germany, France, Italy, Japan and Australia

OUTPUT, INCOME AND SALES

CHART 15
REAL GNP

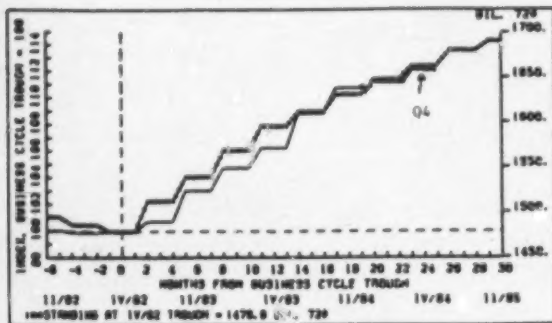


CHART 16
REAL GNP, GROWTH RATE

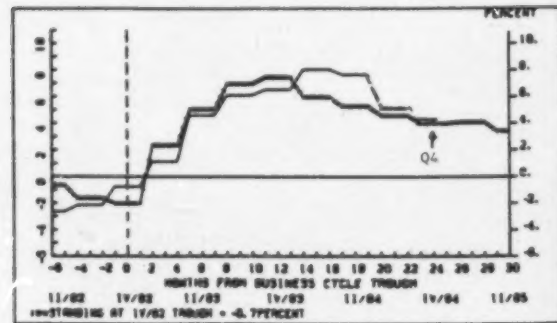


CHART 17
INDUSTRIAL PRODUCTION INDEX

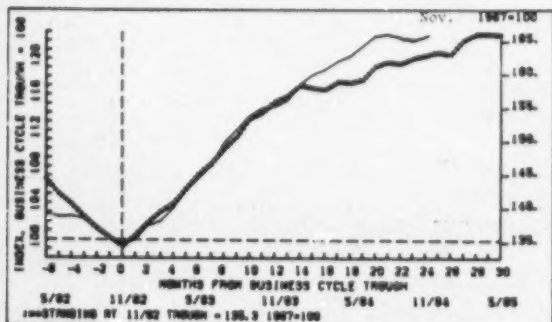


CHART 18
REAL PERSONAL INCOME

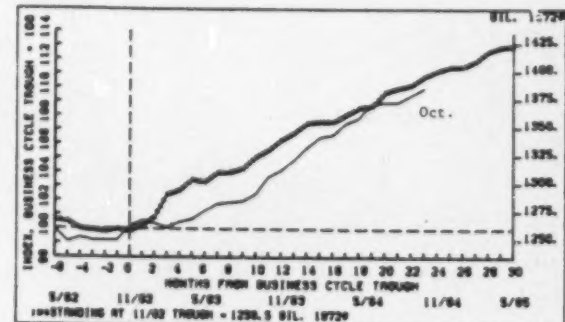


CHART 19
REAL CONSUMER EXPENDITURES

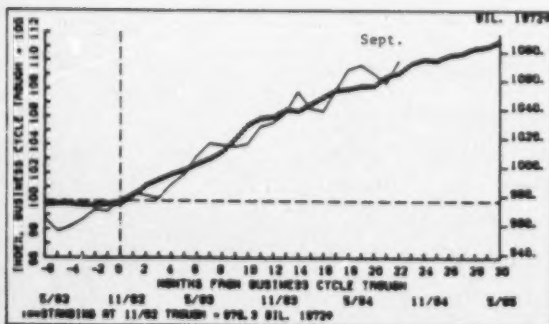
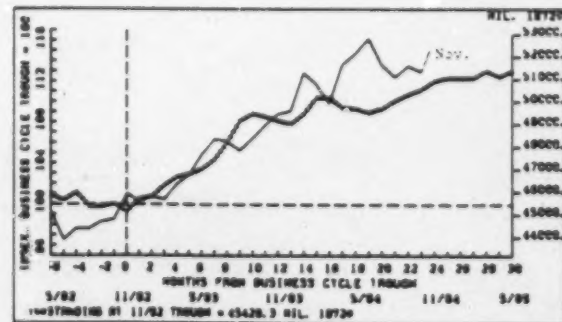


CHART 20
REAL RETAIL SALES



EMPLOYMENT

CHART 21
TOTAL EMPLOYMENT

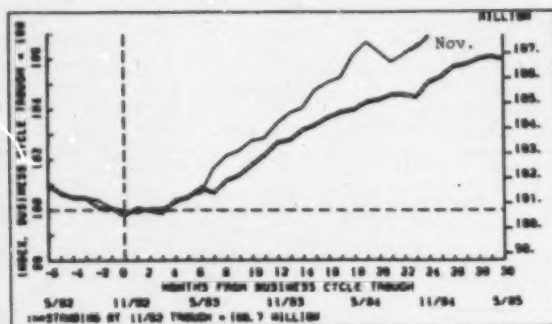


CHART 22
EMPLOYMENT TO POPULATION RATIO

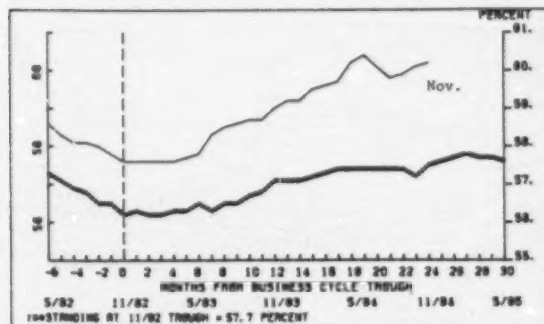


CHART 23
NONFARM EMPLOYMENT

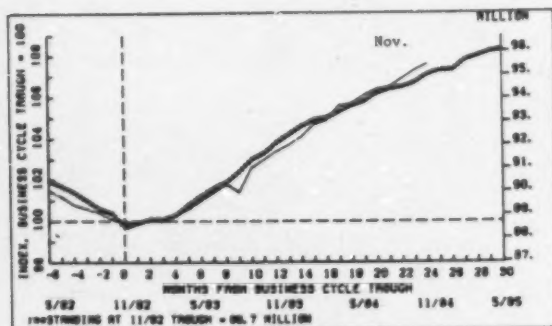


CHART 24
NONFARM EMPLOYEE HOURS

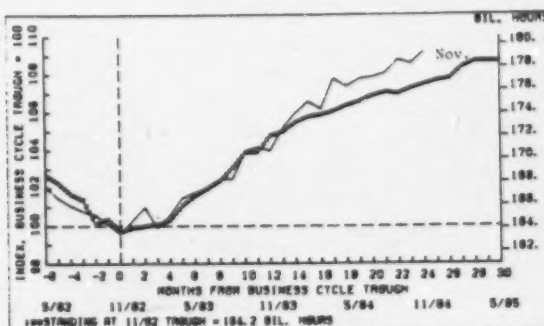


CHART 25
EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES

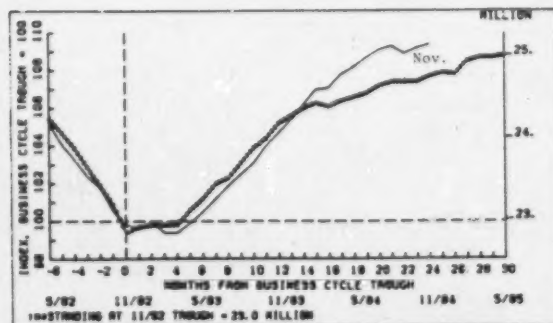
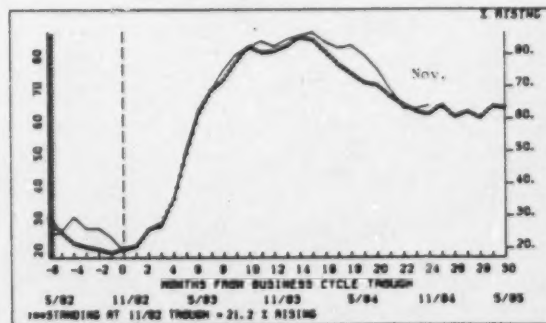


CHART 26
EMPLOYMENT DIFFUSION INDEX,
186 INDUSTRIES



UNEMPLOYMENT

CHART 27
UNEMPLOYMENT RATE: TOTAL

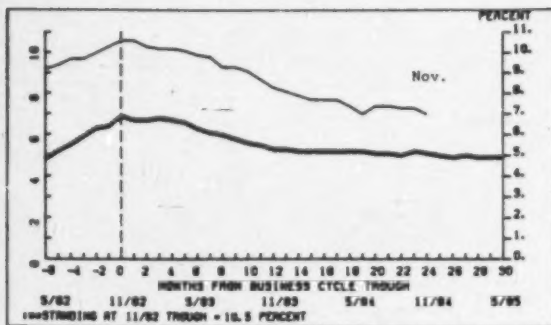


CHART 28
UNEMPLOYMENT RATE: INSURED

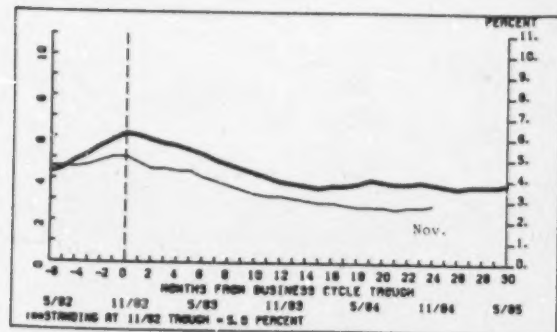


CHART 29
INITIAL CLAIMS, UNEMPLOYMENT INSURANCE

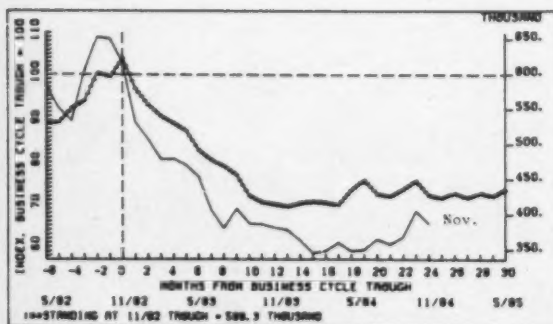
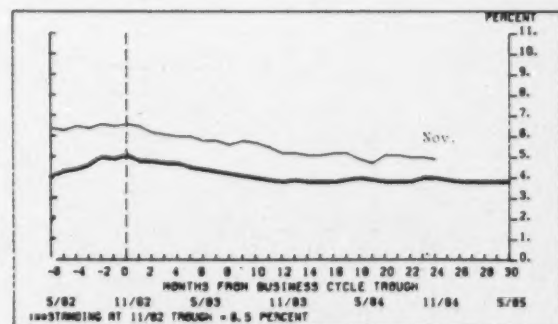


CHART 30
SHORT-DURATION UNEMPLOYMENT RATE
(UNDER 15 WEEKS)



OTHER LEADING EMPLOYMENT INDICATORS

CHART 31
LAYOFF RATE

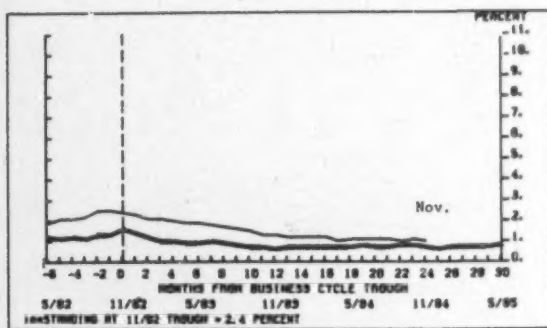


CHART 32
VOLUNTARY-INVOLUNTARY
PART-TIME EMPLOYMENT RATIO

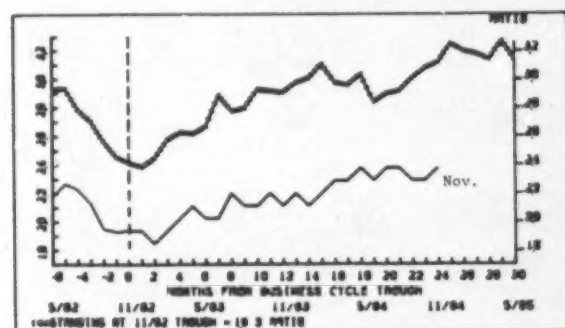


CHART 33
AVERAGE WORKWEEK, MANUFACTURING

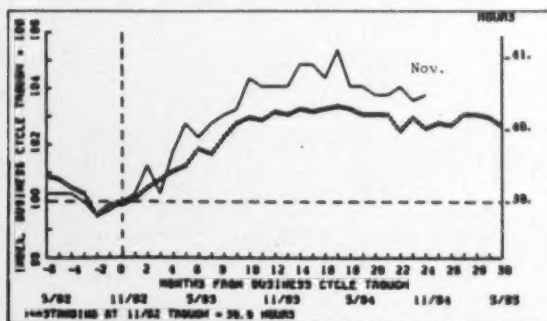
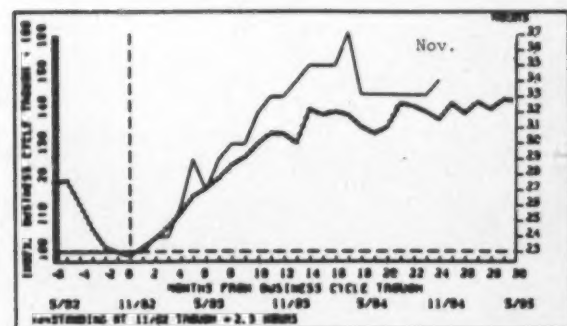


CHART 34
OVERTIME HOURS, MANUFACTURING



INVESTMENT COMMITMENTS AND INVENTORIES

CHART 35
NEW PRIVATE HOUSING STARTS

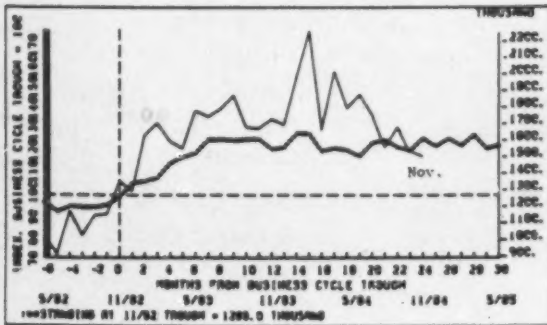


CHART 36
NEW PRIVATE HOUSING PERMITS

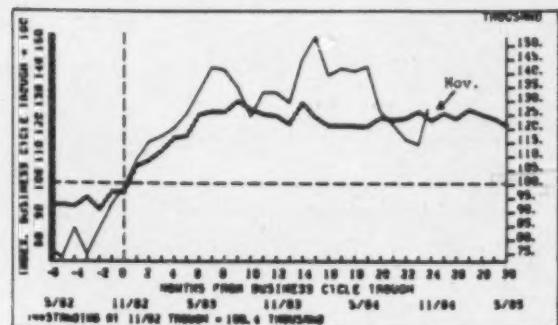


CHART 37
CONTRACTS & ORDERS, PLANT & EQUIPMENT

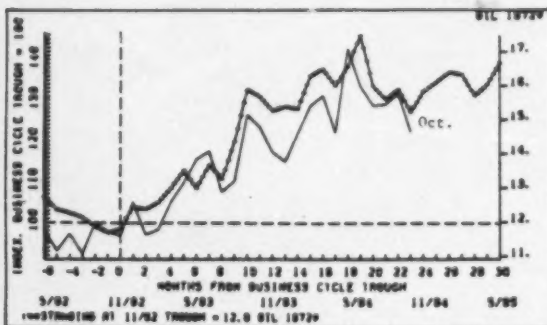


CHART 38
NEW CAPITAL APPROPRIATIONS, MFG.

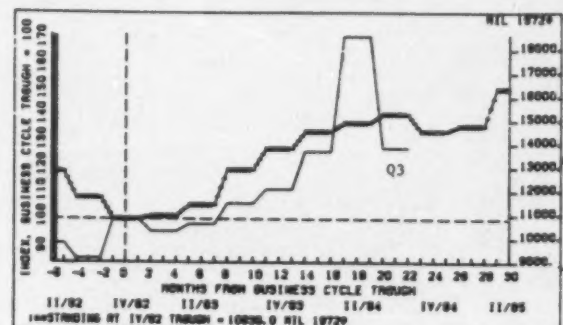


CHART 39
INVENTORY/SALES RATIO, MFG. AND TRADE

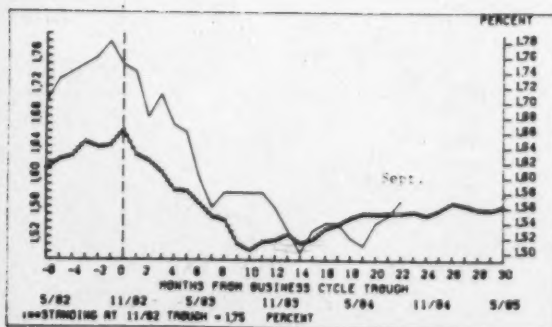
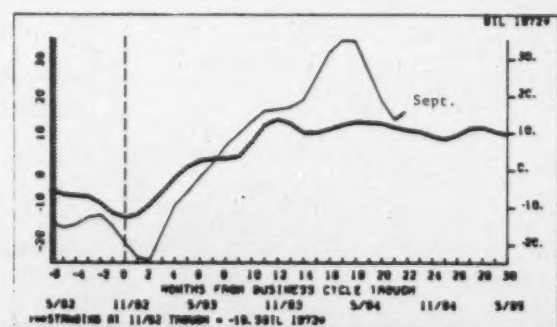


CHART 40
CHANGE IN INVENTORIES ON HAND & ON ORDER



PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

CHART 41
OUTPUT PER HOUR, GROWTH RATE

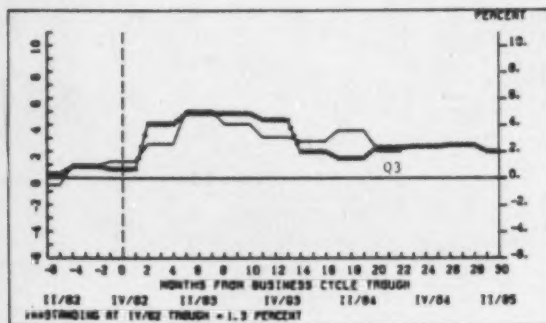


CHART 42
UNIT LABOR COSTS, GROWTH RATE

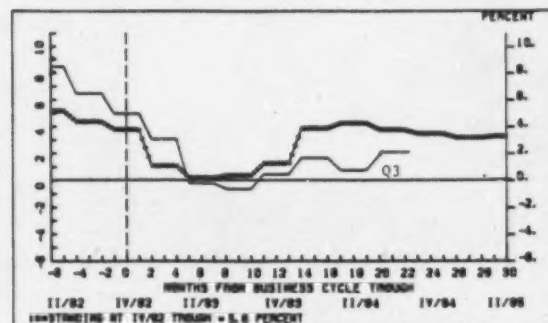


CHART 43
HOURLY COMPENSATION, GROWTH RATE

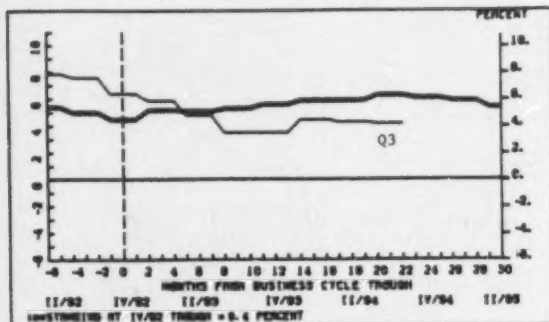


CHART 44
REAL HOURLY COMPENSATION, GROWTH RATE

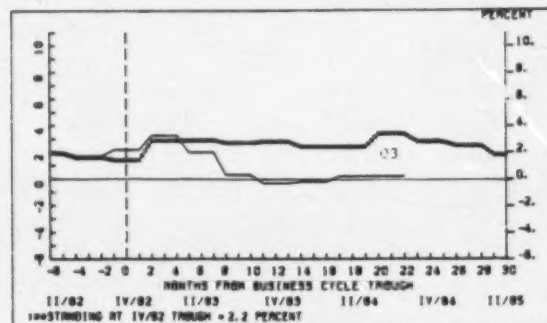


CHART 45
SELLING PRICE INDEX, GROWTH RATE

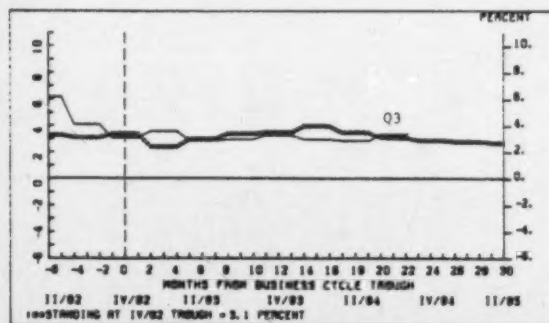
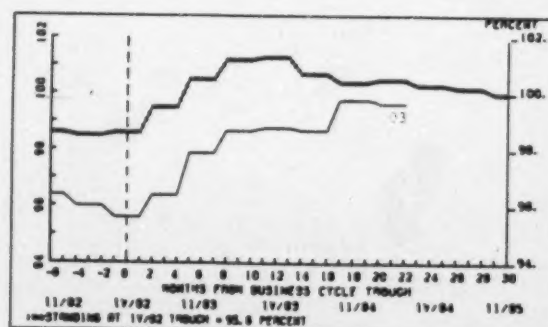


CHART 46
PRICE/LABOR COST RATIO



PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

CHART 47
CORPORATE PROFIT MARGIN

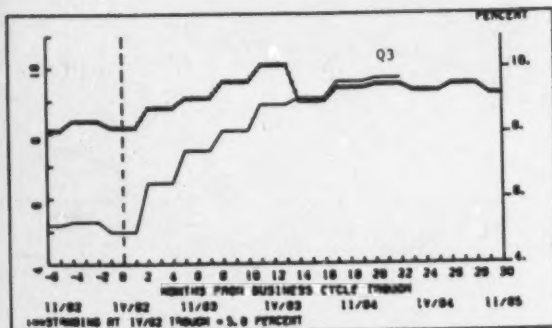


CHART 48
BUSINESS FAILURES,
LIABILITIES OVER \$100,000

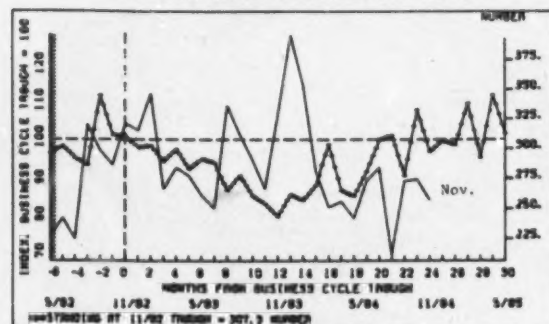


CHART 49
INDUSTRIAL MATERIALS PRICE INDEX,
JOURNAL OF COMMERCE

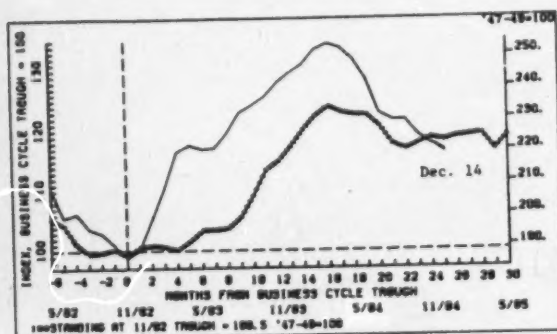


CHART 50
INDUSTRIAL MATERIALS PRICE INDEX,
GROWTH RATE

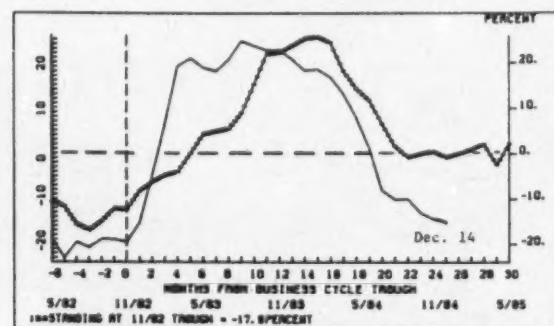


CHART 51
LEADING INDEX OF INFLATION (CIBCR)

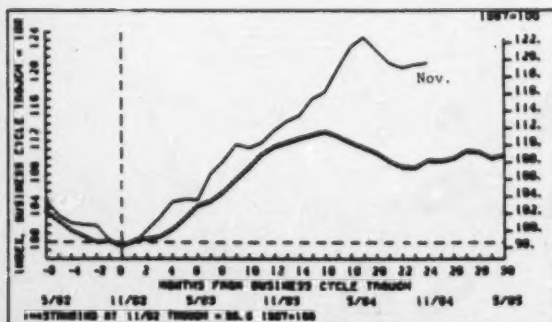
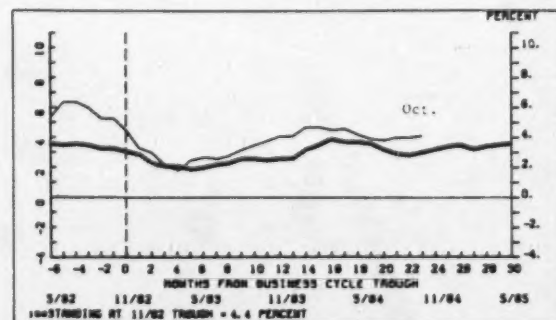


CHART 52
CONSUMER PRICE INDEX, GROWTH RATE



MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

CHART 53
TOTAL DEBT, GROWTH RATE

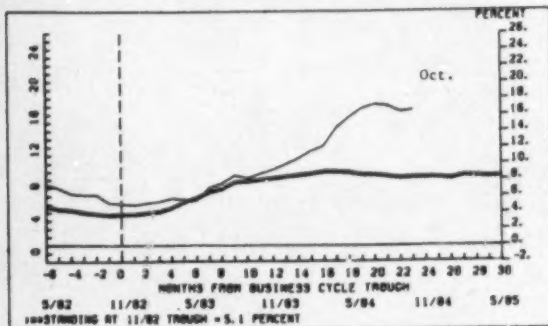


CHART 56
MONEY SUPPLY (M1), GROWTH RATE

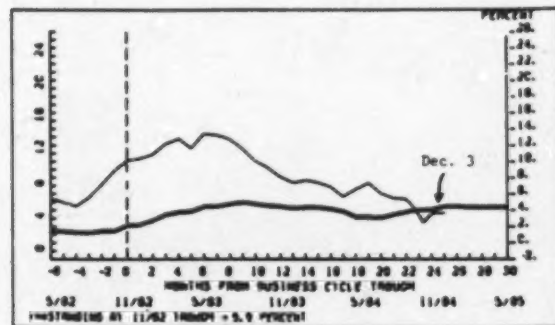


CHART 54
BUSINESS & CONSUMER DEBT, GROWTH RATE

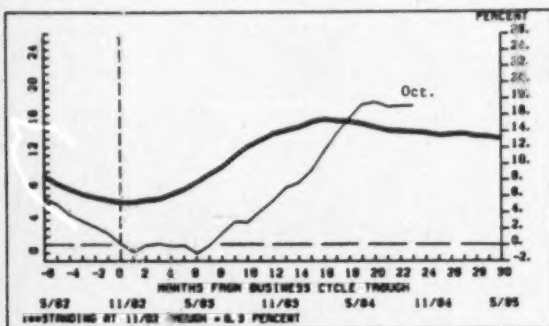


CHART 57
MONEY SUPPLY (M2), GROWTH RATE

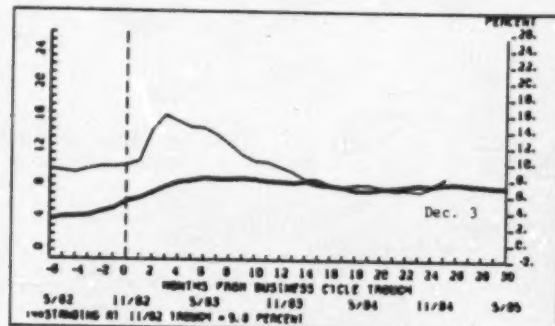
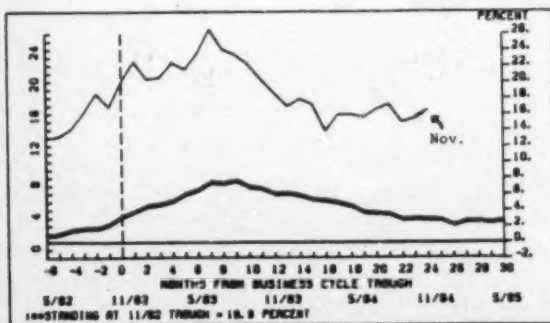


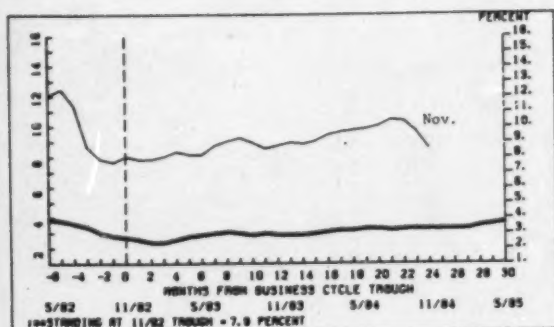
CHART 55
FEDERAL DEBT, GROWTH RATE



MONEY, CREDIT, INTEREST RATES AND STOCK PRICES, cont.

CHART 58
TREASURY BILL RATE (3-MONTH)

ACTUAL LEVELS



PERCENT CHANGES
FROM TROUGH

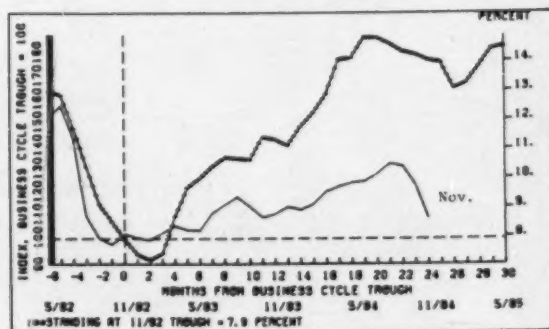
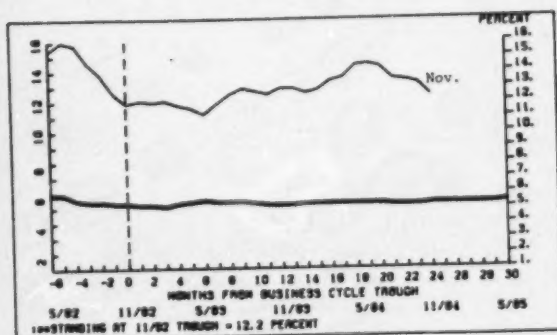


CHART 59
NEW CORPORATE BOND YIELD (AA)

ACTUAL LEVELS



PERCENT CHANGES
FROM TROUGH

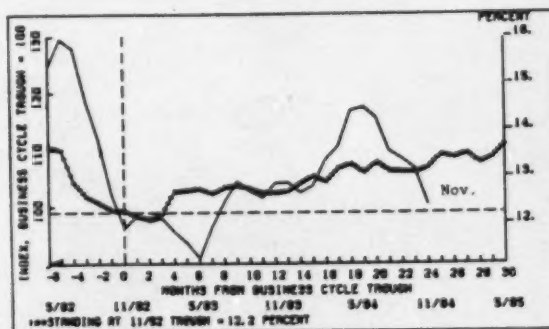
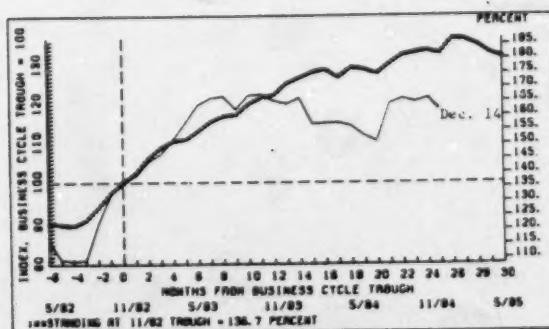


CHART 60
COMMON STOCK PRICE INDEX (S&P 500)



ABOUT THE CENTER FOR INTERNATIONAL BUSINESS CYCLE RESEARCH

The Center for International Business Cycle Research (CIBCR), established in 1979, specializes in the study of trends and fluctuations in economic growth and inflation in the United States and other countries. The analysis contained in this report is the result of its ongoing research programs on U.S. business cycles. Readers are invited to submit comments and suggestions concerning this publication. In addition, readers wishing to secure data compiled by the Center on the six other major industrial countries or copies of research reports may do so by communicating with:

Center for International Business Cycle Research
808 Uris Hall, Columbia University
New York, NY 10027
Telephone: (212) 280-2916

ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the later stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1984 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1984.

Other CIBCR publications include International Economic Indicators, a monthly sixty page data compilation on leading and coincident indicators for the seven major industrial countries. Monthly press releases are issued on a leading index of inflation and a leading employment index for the United States.

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RECESSION - RECOVERY WATCH...

**A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions**



Published by the Center for International Business Cycle Research,
Columbia Business School, Columbia University, New York, NY 10027

Dr. Geoffrey H. Moore
Director

Vol. 7 No. 1
February 1985

Summary

The current expansion has already outlasted two of the seven expansions since 1949 and has been tracking the average of the remaining five closely. The slowdown since last summer has been of average size. Past experience now suggests that expansion will continue at a moderate pace during 1985. Inflation also has been tracking its average pattern, which suggests a gradual rise in the inflation rate this year.

An Average Recovery

With the current expansion well past its second birthday--it reached 27 months in February--we have extended our charts to cover the first 36 months of past expansions, and now include in the averages only those five expansions since 1949 that lasted at least three years. These expansions covered a wide range of durations: 36 mos. (Nov. 1970-Nov. 1973); 39 mos. (May 1954-Aug. 1957); 45 mos. (Oct. 1949-July 1953); 58 mos. (Mar. 1975-Jan. 1980); 106 mos. (Feb. 1961-Dec. 1969).

In many respects the current expansion bears a strong likeness to the average of the five expansions with which we compare it. For consumer expenditures in real terms (Chart 19) the resemblance is truly remarkable, and it is only a bit less so for real GNP (Chart 15). For the number of nonfarm jobs reported on payrolls the current expansion has been virtually the same as the average, but the total number of hours worked in these jobs has risen more than the average (Charts 23 and 24). Total civilian employment also has exceeded its average expansion (Chart 21), and so has the percentage employed (Chart 22). The total unemployment rate has dropped faster than average but remains at a higher level (Chart 27), while the insured unemployment rate has declined in line with its average pattern but remains below it (Chart 28). How the employment situation looks depends to a considerable extent on what you look at.

The slowdown that caused so much uncertainty last autumn now seems to have not done much more than bring the economy back in line with its average growth pattern at this stage of an expansion. Consider Table A, which shows how close the latest growth rates of three broad measures of economic performance are to their average at the same stage of the five earlier expansions.

TABLE A. GROWTH RATES OF COINCIDENT INDICATORS

	Latest Growth Rate, Current Expansion		Corresponding Average Growth Rate, Five Expansions
	Date	Rate (%)	Rate (%)
Real Gross National Product	IV/84	4.0	4.4
Coincident Index, BCD ^{1/}	12/84	6.6	5.2
Coincident Employment Index, CIBCR ^{2/}	1/85	5.4	5.3

^{1/} Includes industrial production; nonfarm employment; manufacturing and trade sales, real; and personal income less transfer payments, real.

^{2/} Includes total civilian employment, household survey; nonfarm employment, payroll survey; nonfarm employee hours; total unemployment rate, inverted; insured unemployment rate, inverted.

Growth rates in the leading indexes (Table B) differ more widely from the average pattern. The Business Week leading index has been rising somewhat faster than its average, after a marked slowdown early in 1984. The growth rate in the leading employment index fell below its average in January 1985 for the first time in the current recovery. The Commerce Department's leading index has turned in the weakest performance of the three, with its growth rate well below average since last July. The average patterns are more consistent among the three indexes than their current movements are, and the averages tell us that rapid growth is not a likely development at this stage of the expansion, but that continued growth at a moderate pace is the rule.

TABLE B. GROWTH RATES OF LEADING INDEXES

	Latest Growth Rate, Current Expansion		Corresponding Average Growth Rate, Five Expansions
	Date	Rate (%)	Rate (%)
Leading Index, BCD	12/84	-0.9	3.8
Business Week Leading Index, CIBCR	1/85	4.5	3.4
Leading Employment Index, CIBCR	1/85	1.6	4.7

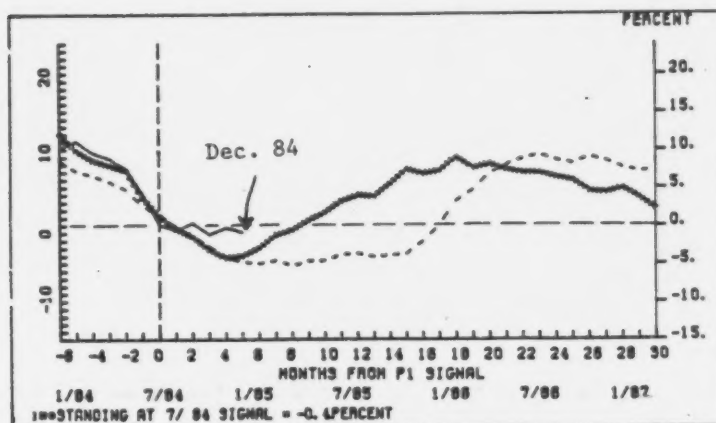
Growth Recessions and Real Recessions

Our method of distinguishing growth recessions from real recessions, introduced in the December issue of Recession-Recovery Watch, points rather clearly in the direction of growth recession or something milder, not a real recession (Chart A). Both the leading index and coincident index growth rates reached levels in December 1984 that were well above the averages for both growth recessions and real recessions. Hence the initial signal of a peak (P1) in July 1984 may prove not to be a signal of a recession of either kind, but merely a short pause. So far, the Commerce Department's

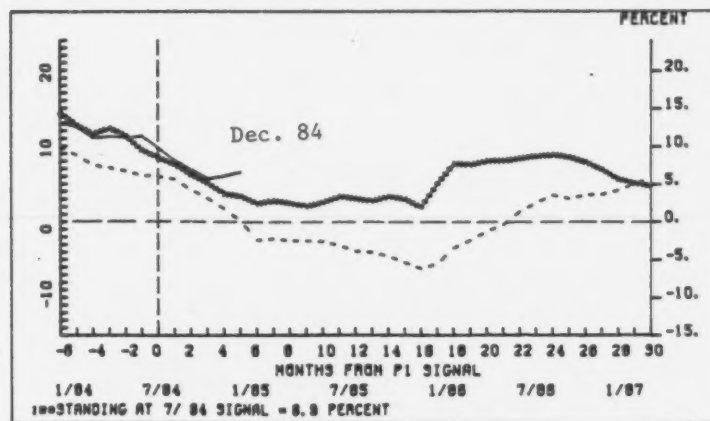
CHART A

PATTERNS OF ECONOMIC CHANGE BEFORE AND DURING GROWTH RECESSIONS AND REAL RECESSIONS (BASED UPON P1 SIGNAL DATES)

LEADING INDEX, GROWTH RATE (BCD)



COINCIDENT INDEX, GROWTH RATE (BCD)



Note: The P1 signal dates are reached when the growth rate in the Commerce Department's leading index first declines below 2.3% (annual rate). The latest P1 signal occurred in July 1984, or the third quarter.

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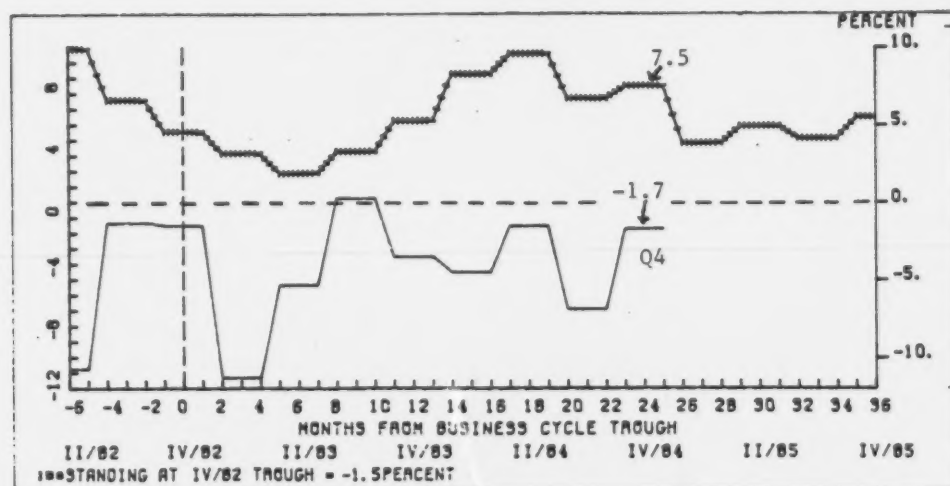
leading index has not been suggesting that the pause has ended, but the Business Week leading index has, and the latter has usually moved up earlier than the former at upturns in the economy.

Inflation on an Average Track

On the inflation front the inflation rate itself, measured by the consumer price index, has also been adhering closely to its past average pattern during economic recoveries (Chart 52). If it continues to do so, it will accelerate gradually during the remainder of 1985, rising about one percentage point. The selling price index for nonfarm business also has matched its average growth rate (Chart 45). Those who are saying that inflation has been vanquished are, by implication, saying that we never had any, since all that we have accomplished is to match the past average level. The leading index of inflation pointed last year to considerably more inflation than has come about, although since June 1984 the leading index has levelled off (Chart 51). As noted in our December report, unusually small increases in unit labor costs have been a factor holding down price inflation (Chart 42), and this in turn has resulted not from especially high productivity growth (Chart 41), but rather from low growth in hourly compensation (Chart 43). Profit margins have benefited from a more favorable relationship between prices and costs (Chart 46). This in turn is likely to sustain the expansion.

Another factor that has helped to hold down the inflation rate has been the decline in import prices, owing at least in part to the rise in the dollar exchange rate. The growth rate in import prices has been negative throughout the recovery, whereas the average pattern shows a positive rate averaging about 5 percent (Chart B).

CHART B
GROWTH RATE IN IMPORT PRICES^{1/}



^{1/} Based upon the implicit price deflator for merchandise imports.

CHANGES IN THIS ISSUE

Starting this month the recession-recovery pattern charts have been expanded to include up to 36 months after the business cycle trough. Only five of the previous seven recoveries lasted as long as 36 months. Hence the averages exclude the 12 month expansion, 1980-81, and the 24 month expansion, 1958-60.

A new series has been added to the profitability measures. This is the growth rate in selling prices minus the growth rate in unit labor costs (see Chart 46). It permits a closer look at the factors influencing profit margins (Chart 48, Price/Labor Cost Ratio), and its components may be directly analyzed (Charts 42 and 45).

RECESSION-RECOVERY PATTERN CHARTS

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A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, all previous expansions since 1948 (or whenever after 1948 the indicator begins), and the average of five expansions 1948-80. The 1980-81 expansion, which lasted only twelve months, is excluded from the average. The 1958-60 expansion, which lasted 24 months, is also excluded.

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, February 1984, which is 15 months after the November 1982 business cycle trough, all the entries for that indicator will be for 15 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle trough standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three-month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding point in each of the previous expansions.

A more comprehensive set of tables, the 1985 Supplement, has also been constructed by the Center. It includes sixty indicators and covers each month of every expansion since 1948, starting 11 months before the trough and ending three years after the trough. The average recovery is also shown for each month of the four-year span. Hence, one can use the figures to construct charts, to update comparisons month by month, to analyze changes during the second or third years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

To order the 90-page 1985 Supplement, send in the order form on the back cover.

RECESSION/RECOVERY STATUS UP TO 26 MONTHS AFTER THE BUSINESS CYCLE TROUGH

ACTUAL LEVELS												
		MONTHS								AVG. 1949 -75	CURRENT EXPANSION STARTING NOV 1982	LAST MONTH OR QUARTER AVAIL.
		AFTER BUSINESS CYCLE TROUGH	EXPANSIONS			EXPANSIONS						
			STARTING			STARTING						
			OCT	MAY	APR	FEB	NOV	MAR	JULY			
			1949	1954	1958*	1961	1970	1975	1980*			
I. COMPOSITE INDEXES												
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	26	-5.5	-0.5		9.0	9.9	4.0		3.4	4.5	1/85
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	26	3.9	0.3		2.8	9.0	7.5		4.7	1.6	1/85
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	26	3.6	-1.1		3.7	9.7	10.5		5.3	5.4	1/85
9.	LEADING INDEX, GROWTH RATE	25	-4.5	-3.0		7.5	11.5	7.6		3.8	-0.9	12/84
10.	COINCIDENT INDEX, GROWTH RATE	25	1.3	2.5		3.3	11.4	7.6		5.2	6.6	12/84
12.	RATIO, COINCIDENT TO LAGGING INDEX	25	119.5	106.0		96.5	119.0	125.5		113.3	130.5	12/84
14.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	23				2.2	12.8	2.9		6.0	6.4	10/84
II. OUTPUT, INCOME AND SALES												
16.	REAL GNP GROWTH RATE	24	5.1	1.7		3.0	6.8	5.4		4.4	4.0	19/84
III. EMPLOYMENT AND UNEMPLOYMENT												
22.	EMPLOYMENT TO POPULATION RATIO	26	58.6	58.2		56.2	57.6	58.3		57.8	60.4	1/85
26.	EMPLOYMENT DIFFUSION INDEX, 186 IND.	26	48.3	36.7		58.4	79.3	85.7		61.4	61.6	1/85
27.	UNEMPLOYMENT RATE: TOTAL	26	3.0	4.3		5.5	4.8	6.9		4.9	7.3	1/85
28.	UNEMPLOYMENT RATE: INSURED	26	3.2	3.5		4.2	2.8	3.8		3.5	2.9	1/85
30.	SHORT-DURATION UNEMPLOYMENT RATE	26	2.6	3.5		4.0	3.8	4.9		3.8	5.3	1/85
31.	LAYOFF RATE	26	0.5	0.6		0.6	0.6	0.9		0.6	1.1	1/85
32.	PART-TIME EMPLOYMENT RATIO	26				2.6	4.8	3.4		3.6	2.4	1/85
IV. INVESTMENT COMMITMENTS AND INVENTORIES												
39.	INVENTORY/SALES RATIO, TIMES 10	24	16.3	15.2		15.0	15.36	16.0		15.6	15.5	11/84
40.	ON IN INVENT ON HAND & ON ORDER, \$1L 729	23	14.7	8.4		4.6	22.2	13.7		12.7	20.2	10/84
V. PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS												
41.	OUTPUT PER HOUR, GROWTH RATE	24	3.7	0.3		2.9	4.7	2.5		2.8	1.7	19/84
42.	UNIT LABOR COSTS, GROWTH RATE	24	3.1	6.0		1.2	2.0	4.9		3.4	2.1	19/84
43.	HOURLY COMPENSATION, GROWTH RATE	24	7.0	6.8		3.8	6.9	7.5		6.4	3.8	19/84
44.	REAL HOURLY COMPENSATION, GROWTH RATE	24	2.0	5.2		2.5	3.2	1.0		2.8	0.0	19/84
45.	SELLING PRICE INDEX, GROWTH RATE	24	3.0	3.1		1.5	3.0	5.3		3.2	3.1	19/84
46.	GROWTH IN PRICES MINUS GROWTH IN COSTS	26	-0.1	-2.9		0.3	1.0	0.4		1.0	-0.3	19/84
47.	CORPORATE PROFIT MARGIN	21	11.1	19.0		11.3	8.1	6.8		9.5	9.7	11/84
48.	PRICE/LABOR COST RATIO	24	103.4	99.8		100.4	100.0	99.6		100.6	99.8	19/84
50.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	26	-23.1	-7.6		-0.6	34.1	0.1		0.6	-15.4	1/85
52.	CONSUMER PRICE INDEX, GROWTH RATE	25	4.4	2.1		1.2	3.7	7.3		3.4	3.5	12/84
VI. MONEY, CREDIT, INTEREST RATES AND STOCK PRICES												
53.	TOTAL DEBT, GROWTH RATE	25	3.8	5.3		8.4	12.9	13.3		8.7	15.3	12/84
54.	BUSINESS & CONSUMER DEBT, GROWTH RATE	25	11.2	15.4		12.7	15.9	14.2		13.9	14.9	12/84
55.	FEDERAL DEBT, GROWTH RATE	26	0.4	-4.6		2.6	5.8	9.2		2.7	14.6	1/85
56.	MONEY SUPPLY (M1), GROWTH RATE	25	4.0	1.1		2.8	9.6	8.4		5.6	4.9	12/84
57.	MONEY SUPPLY (M2), GROWTH RATE	25	5.9	1.6		8.3	13.1	13.5		8.5	9.3	12/84
59.	TREASURY BILL RATE (3-MONTH)	24	1.6	2.5		2.9	5.1	4.5		3.3	8.1	12/84
60.	NEW CORPORATE BOND YIELD (AA)	25	3.4	3.6		4.3	7.5	8.3		5.4	12.5	12/84

*FIGURES NOT SHOWN TO AVOID OVERLAP WITH THE CONTRACTIONS BEGINNING IN MAY 1960 AND JULY 1981.

RECESSION/RECOVERY STATUS UP TO 26 MONTHS AFTER THE BUSINESS CYCLE TROUGH

PERCENTAGE ABOVE (+) OR BELOW (-) THE PRECEDING BUSINESS CYCLE TROUGH

	MONTHS AFTER BUSINESS CYCLE TROUGHS	EXPANSIONS STARTING OCT 1949	EXPANSIONS STARTING MAY 1954	EXPANSIONS STARTING APR 1958*	EXPANSIONS STARTING FEB 1961	EXPANSIONS STARTING NOV 1970	EXPANSIONS STARTING MAR 1975	EXPANSIONS STARTING JULY 1980*	AVG. 1949- 75	CURRENT EXPANSION STARTING NOV 1982	LAST MONTH OR QUARTER AVAIL.
I. COMPOSITE INDEXES											
1. BUSINESS WEEK LEADING INDEX (CICBR)	26	16.4	11.6		18.1	28.6	21.3		19.2	15.9	1/85
2. LEADING EMPLOYMENT INDEX (CICBR)	26	21.0	13.8		14.4	17.2	19.9		16.9	28.6	1/85
3. COINCIDENT EMPLOYMENT INDEX (CICBR)	26	31.1	15.2		13.0	14.5	18.9		18.4	22.7	1/85
4. LEADING INDEX (BCD)	25	8.0	15.2		16.1	24.5	27.3		18.2	18.1	12/84
5. COINCIDENT INDEX (BCD)	25	23.8	16.0		12.5	16.7	15.8		16.9	19.7	12/84
11. LAGGING INDEX (BCD)	25	23.1	17.4		2.5	-6.8	-11.0		3.1	2.7	12/84
13. EIGHT-COUNTRY LEADING INDEX (CICBR)	23				2.6	13.1	13.5		9.7	14.5	10/84
II. OUTPUT, INCOME AND SALES											
15. REAL GNP	24	20.0	10.2		10.5	12.0	11.4		12.8	12.0	1V/84
17. INDUSTRIAL PRODUCTION INDEX	25	26.4	16.9		19.1	18.9	22.0		20.7	22.9	12/84
18. REAL PERSONAL INCOME	24	15.4	12.8		8.4	12.0	9.7		11.7	10.4	11/84
19. REAL CONSUMER EXPENDITURES	24	6.5	10.5		8.3	12.4	11.6		9.9	10.1	11/84
20. REAL RETAIL SALES	25	3.8	12.9		10.6	21.2	14.7		12.6	15.5	12/84
III. EMPLOYMENT AND UNEMPLOYMENT											
21. TOTAL EMPLOYMENT	26	6.9	5.9		3.0	5.3	7.5		5.7	7.2	1/85
23. NONFARM EMPLOYMENT	26	11.3	5.9		5.5	7.2	7.2		7.4	8.2	1/85
26. NONFARM EMPLOYEE-HOURS	26	12.7	6.3		6.1	6.8	7.5		7.9	9.6	1/85
25. EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES	26	15.9	7.4		4.2	5.9	7.3		8.1	6.2	1/85
29. INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	26	-39.1	-21.8		-26.8	-28.6	-28.6		-29.0	-33.6	1/85
33. AVERAGE WORKWEEK, MANUFACTURING	26	3.4	1.8		2.5	2.3	3.7		2.7	4.1	1/85
34. OVERTIME HOURS, MANUFACTURING	26				23.8	46.2	65.8		38.6	43.5	1/85
IV. INVESTMENT COMMITMENTS AND INVENTORIES											
35. NEW PRIVATE HOUSING STARTS	25	-21.3	-8.5		23.7	38.6	95.6		25.6	25.1	12/84
36. NEW PRIVATE HOUSING PERMITS	25	-34.1	-9.7		24.0	47.6	116.3		28.8	27.8	12/84
37. CONTRACTS & ORDERS, PLANT & EQUIPMENT	24	47.8	60.7		14.4	29.4	13.7		33.2	36.1	11/84
38. NEW CAPITAL APPROPRIATIONS, MFG.	21		105.0		28.9	14.9	13.1		40.5	27.8	111/84
V. PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS											
49. INDUSTRIAL MATERIALS PRICE INDEX	26	42.9	8.6		-3.9	29.9	22.5		20.0	15.1	1/85
51. LEADING INDEX OF INFLATION (CICBR)	26	10.1	4.6		5.2	16.5	15.4		10.4	21.5	1/85
58. BUSINESS FAILURES, LIABILITIES \$100,000*	26	-10.0	20.0		-0.8	-17.9	-16.2		-5.0	-19.0	1/85
VI. MONEY, CREDIT, INTEREST RATES AND STOCK PRICES											
59. TREASURY BILL RATE (3-MONTH)	25	46.2	216.5		25.0	-5.3	-18.0		52.5	1.9	12/84
60. NEW CORPORATE BOND YIELD (AA)	25	35.5	22.9		-4.4	-14.5	-11.5		5.7	2.0	12/84
61. STOCK PRICE INDEX (S&P 500)	25	43.5	62.7		5.9	36.3	19.5		33.6	20.3	12/84

*FIGURES NOT SHOWN TO AVOID OVERLAP WITH THE CONTRACTIONS BEGINNING IN MAY 1960 AND JULY 1981.

RECESSION/RECOVERY STATUS UP TO 24 MONTHS AFTER THE BUSINESS CYCLE TROUGH

DIFFERENCE FROM THE PRECEDING BUSINESS CYCLE TROUGH

		MONTHS AFTER BUSINESS CYCLE TROUGHS			EXPANSIONS STARTING			EXPANSIONS STARTING				AVG. 1949 -75	CURRENT EXPANSION STARTING NOV 1982	LAST MONTH OR QUARTER AVAIL.
			OCT 1949	MAY 1954	APR 1958*	FEB 1961	NOV 1970	MAR 1975	JULY 1980*					
I. COMPOSITE INDEXES														
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	26	-10.0	-9.3		2.3	4.8	9.3		-0.6	-0.3	1/85		
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	26	6.0	5.3		5.2	14.8	20.6		10.4	2.3	1/85		
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	26	17.5	12.8		11.7	16.8	27.3		17.2	13.3	1/85		
9.	LEADING INDEX, GROWTH RATE	25	-14.4	-5.1		6.2	12.3	21.1		4.0	-5.6	12/84		
10.	COINCIDENT INDEX, GROWTH RATE	25	8.5	11.9		10.0	17.0	22.7		14.0	13.4	12/84		
12.	RATIO, COINCIDENT TO LAGGING INDEX	25	0.5	-1.7		8.7	24.0	28.7		12.0	10.3	12/84		
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	23				-2.7	14.8	13.1		8.4	5.6	10/84		
II. OUTPUT, INCOME AND SALES														
16.	REAL GNP GROWTH RATE	24	6.1	4.9		2.9	7.0	10.7		6.3	4.7	IV/84		
III. EMPLOYMENT AND UNEMPLOYMENT														
22.	EMPLOYMENT TO POPULATION RATIO	26	3.1	11.9		-0.1	0.1	1.8		1.4	9.7	1/85		
26.	EMPLOYMENT DIFFUSION INDEX, 184 IND.	26	19.4	21.7		38.1	53.6	71.1		48.8	40.4	1/85		
27.	UNEMPLOYMENT RATE: TOTAL	26	-3.8	-1.3		-1.1	-0.9	-1.4		-1.7	-3.2	1/85		
28.	UNEMPLOYMENT RATE: INSURED	26	-4.2	-1.9		-2.1	-1.3	-2.5		-2.4	-2.1	1/85		
30.	SHORT-DURATION UNEMPLOYMENT RATE	26	-2.6	-0.8		-0.7	-0.8	-1.1		-1.2	-1.2	1/85		
31.	LAYOFF RATE	26	-0.9	-1.0		-0.5	-0.5	-1.2		-0.8	-1.3	1/85		
32.	PART-TIME EMPLOYMENT RATIO	26				0.8	0.9	0.6		0.8	0.5	1/85		
IV. INVESTMENT COMMITMENTS AND INVENTORIES														
39.	INVENTORY/SALES RATIO, TIMES 10	24	1.0	-1.0		-0.8	-1.9	-1.8		-0.9	-2.1	11/84		
40.	CH IN INVENT ON HAND & ON ORDER, BIL 729	23	13.6	24.2		15.6	23.0	42.9		23.8	39.6	10/84		
V. PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS														
41.	OUTPUT PER HOUR, GROWTH RATE	24	3.4	-0.2		2.0	3.8	3.4		2.5	0.4	IV/84		
42.	UNIT LABOR COSTS, GROWTH RATE	24	2.7	3.8		-0.6	-3.3	-7.1		-0.9	-2.9	IV/84		
43.	HOURLY COMPENSATION, GROWTH RATE	24	6.2	4.4		0.6	0.5	-3.5		1.6	-2.6	IV/84		
44.	REAL HOURLY COMPENSATION, GROWTH RATE	24	-0.8	2.8		1.0	2.1	0.8		1.2	-2.2	IV/84		
45.	SELLING PRICE INDEX, GROWTH RATE	24	3.4	1.3		1.2	-2.2	-8.0		-0.9	0.0	IV/84		
46.	GROWTH IN PRICES MINUS GROWTH IN COSTS	24	0.7	-2.5		1.8	1.1	-0.9		0.0	2.9	IV/84		
47.	CORPORATE PROFIT MARGIN	21	-1.5	0.8		2.7	2.0	2.0		1.2	4.7	III/84		
48.	PRICE/LABOR COST RATIO	24	2.4	0.7		2.7	1.9	2.4		2.0	4.2	IV/84		
50.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	26	-7.0	-13.3		1.9	44.7	27.9		10.9	2.5	1/85		
52.	CONSUMER PRICE INDEX, GROWTH RATE	25	6.2	1.7		-0.2	-1.6	-2.4		0.3	-0.9	12/84		
VI. MONEY, CREDIT, INTEREST RATES AND STOCK PRICES														
53.	TOTAL DEBT, GROWTH RATE	25	1.9	2.6		4.5	8.1	6.1		4.7	10.2	12/84		
54.	BUSINESS & CONSUMER DEBT, GROWTH RATE	25	7.7	9.1		5.0	11.1	8.3		8.2	14.7	12/84		
55.	FEDERAL DEBT, GROWTH RATE	26	-0.9	-5.0		3.1	1.0	-2.1		-0.8	-5.3	1/85		
56.	MONEY SUPPLY (M1), GROWTH RATE	25	6.7	0.1		1.2	3.9	4.7		3.3	-5.0	12/84		
57.	MONEY SUPPLY (M2), GROWTH RATE	25	6.2	-1.6		1.8	5.0	6.0		3.5	-0.5	12/84		

*FIGURES NOT SHOWN TO AVOID OVERLAP WITH THE CONTRACTIONS BEGINNING IN MAY 1960 AND JULY 1981.

RECESSION - RECOVERY PATTERNS

————— Current recovery to date (business cycle trough: November 1982 or IV Q 1982)

////////// Average of five recoveries (1949-54, 1954-57, 1961-69, 1970-73, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the five cycles, 1949-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the figures are percentages, ratios or changes (e.g., the unemployment rate or GNP growth rate, employment to population ratio, or change in inventories), the charts show actual levels of the data, rather than deviations from trough standings.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages include only five cycles rather than seven. The 1980-81 recovery lasted only 12 months from trough (July 1980) to peak (July 1981). Averages extending beyond 12 months would begin to include the 1981-82 recession. The two-year expansion April 1958-April 1960 also is excluded since the U.S. began its third year of expansion in December 1984.

All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.